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Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Mass. 02110

RE: Distributed Generation, DTE 02-38

Dear Secretary Cottrell:

This letter is filed in lieu of initial comments, as requested in the Department's June 13, 2002 notice, on behalf of the low-income weatherization and fuel assistance network (described in G.L. c. 25, sec. 19) and the Massachusetts Community Action Program Directors Association Inc. (MASSCAP), including their member agencies. Cost-effective deployment of Distributed Generation has the potential to lower the total costs of electricity delivery. However, such an initiative should be managed with great care to prevent increases in costs, particularly for small residential customers.

G.L. c. 25, sec. 19 (St. 1997, c. 164, sec. 37) provides that "The low-income residential demand-side management and education programs shall be implemented through the low-income weatherization and fuel assistance program network ..." MASSCAP is the organization of community action programs that make up most of the low-income weatherization and fuel assistance program network. Members of MASSCAP implement electric utilities' low-income DSM programs, including education; they also process applications for LIHEAP and other assistance for Company customers.

Members of MASSCAP counsel customers of the Commonwealth's electric utilities about rates and payment options, and arrange rate payment assistance (including LIHEAP and other forms of assistance). Many of the Company's customers, especially the low-income customers served by members of MASSCAP, are currently having an especially difficult time paying their bills due to the significant increases in the past two years in the price, and the price volatility, of both natural gas and electricity commodities.

Commenters are thus substantially affected by the level and volatility of electricity prices because (a) their clients (or clients of their members) are more likely to require assistance as rates and volatility rise, (b) the efficiency, weatherization, education, counseling and payment assistance services they (or their members) offer are less likely to result in affordable utility bills for their clients as rates and volatility rise, (c) they (or their members) will be increasingly called upon to secure other means of assistance with utility bills as rates and volatility rise, (d) they (or their members) will be increasingly called upon to assist clients who have had utility service terminated for non-payment, and (e) they will be called upon by their members to assist them in helping members' clients as rates and volatility rise. Commenters also represent the interest of their (or their members') clients in reasonable and stable rates that they can afford to manage and pay; clients are substantially affected by rates that they cannot afford to pay because they are unreasonably high or volatile. Commenters and their clients are also substantially affected by potential non-price impacts of Distributed Generation, particularly with respect to air pollution and health.

Low-income customers in particular often live in areas served by some of the oldest facilities most in need of repair or upgrade. These areas are often also already those most burdened by poor quality air, leading to disproportionate health and mortality impacts among low-income families, including an alarming rise in the incidence of asthma and other respiratory disease, such as chronic bronchitis.

Poorly screened distributed generation facilities could exacerbate this air pollution injustice by filling the local low-income air with even more NO_x, SO₂, and fine particulates.¹ On the other hand, increased deployment of such Distributed Generation technologies as combined heat and power, efficiency measures, and renewable technologies including solar hot water heaters, could cost-effectively clean the air while lowering total system electricity costs in many ways:

- ?? Delivered energy is provided at less than avoided cost (including line losses),
- ?? Distribution upgrades can be deferred,
- ?? Utility costs such as carriage of arrears and termination and reconnection costs are reduced by lowering of electricity bills, thus making them affordable, and

¹ Conventional diesel internal combustion engines, for example, produce far more SO₂ and NO_x than modern gas utility plants and even produce about four times the NO_x as a conventional utility coal plant. Thus, for example, in New Hampshire between 1996 and 1999, NO_x emissions from small diesel generators doubled while NO_x emissions from all electricity generators nearly halved. Nancy Seidman (Mass. DEP), Bill White (US EPA), and Ken Colburn (NESCAUM), presentation to New England Demand Response Initiative, slides 27, 29 (July 17, 2002).

?? Security of the electricity system is improved by distributing vulnerable targets and reducing oil use.

In addition, there are important non-energy benefits, such as health improvements and property value increases.²

Thus Distributed Generation should be deployed carefully. Therefore, regulatory strategies are needed to encourage and reward distribution utilities to (a) identify those areas of its distribution system most in need of upgrade,³ (b) deploy only those measures that are cost-effective from a total system point of view, as well as from the points of view of the communities where the technologies are proposed to be deployed, and (c) appropriately allocate (and mitigate where appropriate) the costs incurred by non-utility deployment.

Promotion of distribution utility ownership of distributed generation as a means of electricity distribution should be considered both as a way to promote its deployment and to prevent the death spiral possible where the utility owns only the old technology (in this case, wires). In the extreme case, for example, a neighborhood of basement fuel cells – too costly for low-income families – could leave a distribution system of wires that only serve those left behind. Low-income families would not be able to support the stranded costs of such a system. Standby service tariffs should therefore be set to prevent such cost shifts; ultimately, however, consideration must be given to the consequences of the potential for customers to achieve adequate reliability without a distribution connection.

We look forward to the August 21 public hearing and reserve the right to reply.

Respectfully submitted,

Massachusetts Community Action Program Directors Association Inc. et al.
by their attorneys,

Jerrold Oppenheim

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cc: William Stevens, Hearing Officer
DTE E-filing

² E.g., see generally DTE 98-100 and filings therein.

³ Catastrophic distribution system failures such as those of this summer and last should be predicted and prevented by such methods.